

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
FINANCIAL STATEMENTS

FOR THE YEAR ENDING
MARCH 31, 2008

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended

Unit Name: McKinley Township	County: EMMET	Type: TOWNSHIP	MuniCode:
Opinion Date-Use Calendar: Jul 28, 2008	Audit Submitted-Use Calendar: Aug 4, 2008	Fiscal Year-Use Drop List:	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

- ☒ 1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
- ☒ 2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
- ☐ 3. Were the local unit's actual expenditures within the amounts authorized in the budget?
- ☒ 4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
- ☒ 5. Did the local unit adopt a budget for all required funds?
- ☒ 6. Was a public hearing on the budget held in accordance with State statute?
- ☒ 7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
- ☒ 8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
- ☒ 9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
- ☒ 10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
- ☒ 11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
- ☒ 12. Is the local unit free of repeated reported deficiencies from previous years?
- ☒ 13. Is the audit opinion unqualified? 14. If not, what type of opinion is it? NA
- ☒ 15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
- ☒ 16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
- ☒ 17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
- ☐ 18. Are there reported deficiencies? ☐ 19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 428,557.00
General Fund Expenditure:	\$ 450,552.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 202,809.00
Governmental Activities Long-Term Debt (see instructions):	\$ 294,600.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name): Joseph	Last Name: Kosanke	Ten Digit License Number: 1101027629		
CPA Street Address: 201 S. Main	City: Cheboygan	State: MI	Zip Code: 49721	Telephone:
CPA Firm Name: Nieland & Kosanke, PC	Unit's Street Address: 175 N. Milton	City: Pellston	LU Zip: 49769	

NIELAND & KOSANKE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

201 SOUTH MAIN STREET SUITE #2
CHEBOYGAN MICHIGAN 49721
(231) 627-4398
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DANIEL R. NIELAND, C.P.A.
JOSEPH D. KOSANKE, C.P.A.

MEMBER
AMERICAN INSTITUTE OF CERTIFIED
PUBLIC ACCOUNTANTS
AND
MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

Supervisor and Members Of
The Township Board of Trustees
McKinley Township
Emmet County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information, of McKinley Township, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of government activities, each major fund and the aggregate remaining fund information of McKinley Township as of March 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated July 28, 2008, on our consideration of McKinley Township's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing; and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis, and budgetary comparison information on pages 4 through 7 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise McKinley Township's basic financial statements. The schedules listed as other supplemental information in the accompanying table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of McKinley Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Nieland & Kosanke, P.C.
Certified Public Accountants

July 28, 2008
Cheboygan, Michigan 49721

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2008

The Management's Discussion and Analysis for McKinley Township covers the Township's financial performance during the year ended March 31, 2008.

Financial Highlights

Our Financial status remained stable over the last year, despite the decrease by \$24,266 from \$735,594 to \$711,328. Overall revenue was \$430,158.

The Township incurred new debt as a result of the issuance of bonds to pay for the new Township Hall. The Township also purchased a piece of land in Levering, Michigan. See Note H for further information.

Overview of Financial Statements

This annual report consists of three parts, Management's Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

Entity-Wide Financial Statements

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2008

Entity-Wide Financial Statements (continued)

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All activities of the Township are reported as governmental activities, and there are no business type activities. Governmental activities include the General Fund, Liquor Law Enforcement Fund, Road Fund, and Township Improvement Fund.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's funds, focusing on significant funds and not the Township as a whole. In the section for other supplement information, the General Fund revenue and expenditures are shown on the line item basis. Funds are used to account for specific activities or funding sources. Law requires some funds. The Township Board may also create them. Funds are established to account for funding and spending financial resources and to show proper expenditures of those resources.

The Township has the following funds:

Governmental Funds: All of the Township's activities are included in the governmental fund category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental funds include the General Fund, Liquor Law Enforcement Fund, Road Fund, and Township Improvement Fund.

Financial Analysis of the Township as a Whole

Our cash position in all governmental activities remains strong. Year-end cash position of all funds is as follows:

General Fund	\$ 200,695
Liquor Law Enforcement Fund	1,834
Road Fund	75,171
Revolving and Improvement Fund	<u>22,636</u>
 Total Government Fund Cash	 <u><u>\$ 300,336</u></u>

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2008

Financial Analysis of the Township's Funds

Individual fund balances remain solid, as indicated by year-end balance and net change reflected below:

	Balance March 31, <u>2007</u>	Balance March 31, <u>2008</u>	Increase (Decrease) <u></u>
General Fund	\$ 166,633	\$ 202,809	\$ 36,176
Liquor Law Enforcement Fund	1,842	1,834	(8)
Road Fund	65,691	75,171	9,480
Revolving and Improvement Fund	<u>87,630</u>	<u>22,636</u>	<u>(64,994)</u>
	<u>\$ 321,796</u>	<u>\$ 302,450</u>	<u>\$(19,346)</u>

Capital Assets and Long-Term Debt Activity

The Township's total capital outlay in governmental funds was \$367,843 for the year ended March 31, 2008. The Township incurred \$300,000 of long-term debt as the result of the construction of the Township hall and \$9,000 by purchasing a piece of land in Levering, Michigan. As of March 31, 2008, \$3,000 has been paid towards these debts.

Significant Events – Past Fiscal Year

During the past fiscal year, construction of the new Township hall was completed. Total costs for designing, constructing, and furnishing the hall were approximately \$391,000. The cost of \$300,000 was paid for by the bond issuance described in Note H. The Township also authorized the purchase of a piece of land in Levering, Michigan.

Factors Affecting Future Operations

Due to the bond issuance, the Township is required to make payments to Citizens National Bank through October 2032. Annual payments will be approximately \$21,000 during the first year of the loan and will gradually reduce each year to approximately \$16,000 in the last year of the loan. The piece of land in Levering, Michigan, was purchased for \$9,000. As part of the purchase, the Township is required to make three annual payments of \$3,000. One payment is scheduled to be made in each of the next two fiscal years. Payments for each debt will be included in the annual Township budget.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDING MARCH 31, 2008

Contacting the Township's Management

This financial report is designed to provide our citizens, taxpayers, and other interested parties with a general overview of McKinley Township's finances and also to show the accountability for the money it receives. If you have questions about this report or need additional financial information, contact the McKinley Township Clerk, at 175 N. Milton Street, P.O. Box 262, Pellston, Michigan 49769.

GENERAL PURPOSE FINANCIAL STATEMENTS

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2008

	Primary <u>Government</u> Government <u>Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash Checking	\$ 2,049
Cash Savings	286,946
Cash Certificates	11,341
Taxes Receivable	<u>11,456</u>
Total Current Assets	311,792
NON-CURRENT ASSETS:	
CAPITAL ASSETS:	
Land and Land Improvements	14,843
Buildings	392,257
Furniture and Equipment	13,785
Accumulated Depreciation	<u>(21,349)</u>
Total Non-Current Assets	<u>399,536</u>
Total Assets	<u>\$ 711,328</u>
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts Payable	\$ 5,722
Accrued Payroll	3,620
Current Portion of Long-Term Debt	<u>11,400</u>
Total Current Liabilities	20,742
LONG-TERM LIABILITIES	
Long-Term Debt	<u>294,600</u>
Total Long-Term Liabilities	294,600
Total Liabilities	<u>315,342</u>
NET ASSETS:	
Invested in Capital Asset, Net of Related Debt	93,536
Unrestricted	<u>302,450</u>
Total Net Assets	395,986
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 711,328</u>

The accompanying notes are an integral
part of these financial statements.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING MARCH 31, 2008

					Net Expense And (Revenue) Changes In <u>Net Assets</u>
					<u>Primary Government</u>
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Government Activities</u>
PRIMARY GOVERNMENT:					
GOVERNMENTAL ACTIVITIES:					
General Services and					
Administration	\$ 52,675	\$ (6,575)	\$ -	\$ -	\$ 46,100
Public Safety	11,769	-	-	-	11,769
Public Works	6,347	-	-	-	6,347
Parks and Recreation	1,854	-	-	-	1,854
Other	<u>383,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>383,626</u>
TOTAL GOVERNMENT ACTIVITIES	<u>456,271</u>	<u>(6,575)</u>	<u>-</u>	<u>-</u>	<u>449,696</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 456,271</u>	<u>\$ (6,575)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 449,696</u>
GENERAL REVENUES:					
Taxes					\$ 71,391
State Shared Revenue					46,749
Interest Earnings					6,356
Proceeds from Bonds					300,000
Other					<u>934</u>
TOTAL GENERAL REVENUES					425,430
CHANGE IN NET ASSETS					(24,266)
NET ASSETS - BEGINNING					<u>735,594</u>
NET ASSETS - ENDING					<u>\$ 711,328</u>

The accompanying notes are an integral
part of these financial statements.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
BALANCE SHEET
FOR THE YEAR ENDING MARCH 31, 2008

	Major Governmental Funds		Non-Major Governmental Funds		
	General Fund	Liquor Law Enforcement Fund	Road Fund	Township Improvement Fund	Total
ASSETS:					
Cash Checking	\$ 215	\$ 1,834	\$ -	\$ -	\$ 2,049
Cash Savings	189,139	-	75,171	22,636	286,946
Cash Certificates	11,341	-	-	-	11,341
Taxes Receivable	<u>11,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,456</u>
TOTAL ASSETS	<u>\$ 212,151</u>	<u>\$ 1,834</u>	<u>\$ 75,171</u>	<u>\$ 22,636</u>	<u>\$ 311,792</u>
LIABILITIES AND FUND BALANCE:					
CURRENT LIABILITIES:					
Accounts Payable	\$ 5,722	\$ -	\$ -	\$ -	\$ 5,722
Accrued Payroll	<u>3,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,620</u>
Total Current Liabilities	9,342	-	-	-	9,342
Total Liabilities	<u>9,342</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,342</u>
FUND BALANCE:					
Unreserved	<u>202,809</u>	<u>1,834</u>	<u>75,171</u>	<u>22,636</u>	<u>302,450</u>
Total Fund Balance	<u>202,809</u>	<u>1,834</u>	<u>75,171</u>	<u>22,636</u>	<u>302,450</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 212,151</u>	<u>\$ 1,834</u>	<u>\$ 75,171</u>	<u>\$ 22,636</u>	<u>\$ 311,792</u>

The accompanying notes are an integral part of these financial statements.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDING MARCH 31, 2008

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS	\$ 302,450
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Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	399,536
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Long-term debt included in governmental activities solely for the purchase of capital assets and therefore not reported in the funds	<u>(306,000)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 395,986</u>
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MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2008

	Major Governmental Funds		Non-Major Governmental Funds		
	General Fund	Liquor Law Enforcement Fund	Road Fund	Township Improvement Fund	Total
REVENUE:					
Taxes	\$ 71,391	\$ -	\$ -	\$ -	\$ 71,391
State Shared Revenue	45,958	791	-	-	46,749
Interest Earnings	3,699	-	1,675	982	6,356
Proceeds from Bonds	300,000	-	-	-	300,000
Other	<u>7,509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,509</u>
Total Revenue	428,557	791	1,675	982	432,005
EXPENDITURES:					
General Government	47,755	-	-	-	47,755
Public Safety	11,769	-	-	-	11,769
Public Works	6,347	-	-	-	6,347
Parks and Recreation	1,055	799	-	-	1,854
Other	<u>383,626</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>383,626</u>
Total Expenditures	<u>450,552</u>	<u>799</u>	<u>-</u>	<u>-</u>	<u>451,351</u>
EXCESS OF REVENUE OVER (UNDER)					
EXPENDITURES:	(21,995)	(8)	1,675	982	(19,346)
OTHER FINANCING SOURCES:					
Transfers In (Out)	(7,805)	-	7,805	-	-
Transfers (Out) In	<u>65,976</u>	<u>-</u>	<u>-</u>	<u>(65,976)</u>	<u>-</u>
Net Transfers	58,171	-	7,805	(65,976)	-
EXCESS OF REVENUE OVER (UNDER)					
EXPENDITURES AFTER TRANSFERS	36,176	(8)	9,480	(64,994)	(19,346)
FUND BALANCE - BEGINNING	<u>166,633</u>	<u>1,842</u>	<u>65,691</u>	<u>87,630</u>	<u>321,796</u>
FUND BALANCE - ENDING	<u>\$ 202,809</u>	<u>\$ 1,834</u>	<u>\$ 75,171</u>	<u>\$ 22,636</u>	<u>\$ 302,450</u>

The accompanying notes are an integral part of these financial statements.

MCKINLEY TOWNSHIP
 EMMET COUNTY, MICHIGAN
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDING MARCH 31, 2008

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	\$ (19,346)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Depreciation Expense	<u>\$ 4,920</u>	<u>4,920</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (24,266)</u>
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MCKINLEY TOWNSHIP
 EMMET COUNTY, MICHIGAN
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 FOR THE YEAR ENDING MARCH 31, 2008

	Agency Fund Type Property Tax <u>Collection Fund</u>
ASSETS:	
Cash	\$ <u>136</u>
TOTAL ASSETS	<u>\$ 136</u>
LIABILITIES:	
Due Other Funds	\$ <u>136</u>
TOTAL LIABILITIES	<u>\$ 136</u>

The accompanying notes are an integral
 part of these financial statements.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of McKinley in Emmet County, Michigan, have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) which do not conflict with or contradict GASB pronouncements. The more significant of these accounting policies established in GAAP and used by the Township are described below.

(1) REPORTING ENTITY

McKinley Township is an incorporated Township, which operates under a Supervisor – Board form of government. The Township provides the following services: public safety, highways and streets, sanitation, public improvements and general administrative services.

The Township has considered all potential component units in valuating how to define the Township for financial reporting purposes. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement 14 of the Government Accounting Standards Board (GASB), *The Financial Reporting Entity*. The basic criteria includes the appointment of a voting majority of the governing board of the unit; legal separation of the Township and the component unit, fiscal independence of the unit, whether exclusion of the unit would make the Township's financial statements misleading, and whether there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Township. There are no component units to be included in these statements.

The financial reporting entity of McKinley Township includes all funds and accounts of the Township.

(2) BASIC FINANCIAL STATEMENTS – GOVERNMENT -WIDE FINANCIAL STATEMENTS

McKinley Township's basic financial statements include both government -wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). Both the government -wide and fund financial statements categorize primary activities as either governmental or business-type. The Township's legislative, public works, public safety, community and economic development, recreation and culture and general services and administration are classified as governmental activities. McKinley Township does not have any activity that is classified as business-type activities.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In the government-wide Statement of Net Assets, both the governmental activities columns are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of McKinley Township's functions. The functions are also supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.) The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating – specific and discretionary (either operating or capital) grants while the capital grants column reflects capital – specific grants. The net costs (by function or business-type activity) are normally covered by general revenue.

The government-wide focus is more on the sustainability of McKinley Township as an entity and the change in net assets resulting from the current year's activities. The effect of inter-fund activities has been removed from these statements.

(3) BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Government Funds

The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Township:

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- General Fund – General Fund is the general operating fund and, accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- Liquor Law Enforcement Fund – This is a State mandated fund to fund liquor establishment inspection.
- Road Fund – The Road Fund is used to account for resources to be used for road development and improvement. Revenues are from both charges for services and transfer from the General Fund.
- Revolving and Improvement Fund – The fund is for funds to be set aside for future Township improvements. The Township has made annual transfers to build up this fund.

The Township's fiduciary funds are presented in the fiduciary fund financial statements by type (agency). Since by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the Township. These funds are not incorporated into the government-wide statements.

(4) BASIS OF ACCOUNTING

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider has been met.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified basis of accounting, revenues are recorded when they are both measurable and available. "Available" means collectible within the current period or

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Modified Accrual (continued)

within 60 days of the end of the current fiscal period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred.

However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

(5) FINANCIAL STATEMENT AMOUNTS

Budgets

All governmental funds are under formal budgetary control. Budgets shown in the financial statements as “GAAP Basis” are adopted on a basis consistent with generally accepted accounting principles (GAAP) and are not significantly different from the modified accrual basis used to reflect actual results, and consist only of those amounts contained in the formal budget approved and amended by the Township Board. Budgets are adopted on the departmental level and control is exercised on that level.

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of five years.

All capital assets are valued historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their fair value on the date donated. Depreciation on all exhaustible capital assets is charged as an expense against their operations in government-wide statements and proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statement of net assets. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Land Improvements	40 years
Building, Structures and Improvements	40 years
Equipment	5-10 years

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

Property Taxes

Property taxes are levied as of December 1 of each year and are due by the last day of the following March. The taxes are collected by the local unit and periodically remitted to the third parties during the collection period.

Inter-fund Activity

All inter-fund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Vacation and Sick Leave

The Township has no liability for accumulated vacation or sick leave.

NOTE B – COMMON CASH ACCOUNTS AND SHORT-TERM INVESTMENTS

Cash equity in the common bank account of the Township is utilized by the various funds is as follows:

	<u>Checking</u>
General	\$ 215
Liquor	<u>1,834</u>
	<u><u>\$ 2,049</u></u>

These deposits and interest payment accounts are with local financial institutions. All accounts are in the name of the Township. Interest is recorded when deposits mature or is credited to the applicable account.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE B – COMMON CASH ACCOUNTS AND SHORT-TERM INVESTMENTS

(continued)

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States in which the principal and interest is fully guaranteed by the United States, including securities or guaranteed by the Government National Mortgage Association; United States government or Federal Agency obligation repurchase agreements; banker's acceptance of United States banks; mutual funds composed of investment vehicles which are legal or direct investment by local units of government in Michigan; and commercial paper rated by two standard rating agencies within the three highest classifications, which mature no more than 270 days after the date of purchase, and which involves no more than 50 percent of any one fund. Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. Attorney General's Opinion Number 6168 states that public funds may not be deposited in the financial institutions located in states other than Michigan.

The Township deposits are in accordance with statutory authority. The Governmental Account Standards Board (GASB) Statement Number 3 risk disclosures for the Township cash deposit are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insurance (FDIC)	\$ 111,341
Uninsured	<u>188,995</u>
	<u><u>\$ 300,336</u></u>

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE C – CAPITAL ASSETS

A summary of the capital assets of the Governmental Activities is as follows:

	Balance at April 1, <u>2007</u>	<u>Additions</u>	<u>Disposals</u>	Balance at March 31, <u>2008</u>
GOVERNMENTAL ACTIVITIES:				
Land	\$ 3,000	\$ 9,000	\$ -	\$ 12,000
 Total Capital Assets, Not Being Depreciated	 <u>3,000</u>	 <u>9,000</u>	 <u>-</u>	 <u>12,000</u>
 Land Improvements	 2,843	 -	 -	 2,843
Buildings and Improvements	33,414	358,843	-	392,257
Furniture and Equipment	<u>13,785</u>	<u>-</u>	<u>-</u>	<u>13,785</u>
 Total Capital Assets Being Depreciated	 <u>50,042</u>	 <u>358,843</u>	 <u>-</u>	 <u>408,885</u>
 Less Accumulated Depreciation:				
Land Improvements	(2,843)	-	-	(2,843)
Buildings and Improvements	(1,175)	(4,103)	-	(5,278)
Furniture and Equipment	<u>(12,412)</u>	<u>(816)</u>	<u>-</u>	<u>(13,228)</u>
 Total Accumulated Depreciation	 <u>(16,430)</u>	 <u>(4,919)</u>	 <u>-</u>	 <u>(21,349)</u>
 GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	 <u>\$ 36,612</u>	 <u>\$ 362,924</u>	 <u>\$ -</u>	 <u>\$ 399,536</u>

A depreciation expense for the governmental activities was charged to the following functions and activities of the primary government:

General and Administrative	<u>\$ 4,919</u>
	<u>\$ 4,919</u>

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE D – TRANSFERS

The following transfers were made between funds:

	<u>Transfers In</u>		<u>Transfers Out</u>
Road Fund	\$ 7,805	General Fund	\$ 7,805
General Fund	<u>65,976</u>	Revolving and Improvement Fund	<u>65,976</u>
Total	\$ 73,781	Total	\$ 73,781

NOTE E – CONTINGENT LIABILITIES

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained commercial insurance to handle its risk of loss.

NOTE F – COMMITMENT

Prior to year end the Township entered into a contract with the Emmet County Road Commission. The contract is for significant repairs to Michigan Street and Ely Road in McKinley Township. The total price of the contract is \$100,000 and all work will be completed during the first part of the fiscal year ending March 31, 2009.

NOTE G – BUDGET VARIANCES

Budgets are adopted on the departmental level. The budgets shown in the section for other supplemental information are shown by line item for information only. Therefore, negative variance is significant on the departmental basis. Negative variances are as follows:

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE G – BUDGET VARIANCES (continued)

<u>General Fund</u>	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Expense:			
Township Board			
Salaries	\$ 1,555	\$ 1,615	\$ (60)
Supplies	4,044	4,307	(263)
Other Functions:			
Capital Outlay	361,443	367,843	(6,400)
Interest Expense	-	11,503	(11,503)
<u>Liquor Law Enforcement Fund</u>			
Revenue:			
State Shared Revenue	1,191	791	(400)
Expense:			
Law Enforcement	-	799	(799)

NOTE H – LONG TERM DEBT

On May 17, 2007, the Township entered into an agreement to issue \$300,000 of General Obligation Capital Improvement Bonds, purchased by Citizens National Bank. The proceeds from the bonds were used to construct a new Township hall. The bonds will be repaid with semi-annual payments, including interest at 4.30%, beginning April 1, 2008, and ending October 1, 2032. Total interest expense for the 2007-08 fiscal year was \$11,503.

During the year, the Township entered into a contract with the Levering Lions Club to purchase a piece of land in Levering, Michigan. Currently, a Little League field occupies the land. As part of the contract, the Township will make three annual installments of \$3,000 for a total purchase price of \$9,000. One payment was made during the year ended March 31, 2008. The second payment is reported as a current liability and the third payment is reported as long-term debt since it isn't due during the next fiscal year.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDING MARCH 31, 2008

NOTE H – LONG TERM DEBT (continued)

Principal payments of long term debt are as follows:

2008-09	\$ 11,400
2009-10	11,700
2010-11	9,000
2011-12	9,300
2012 and after	264,600

SUPPLEMENTAL INFORMATION

GENERAL FUND

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
GENERAL FUND
BALANCE SHEET
FOR THE YEAR ENDING MARCH 31, 2008

ASSETS:

Cash Checking	\$ 215
Cash Savings	189,139
Cash Certificates	11,341
Taxes Receivable	<u>11,456</u>

TOTAL ASSETS	<u>\$ 212,151</u>
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LIABILITIES:

CURRENT LIABILITIES:

Accounts Payable	\$ 5,722
Accrued Payroll	<u>3,620</u>

TOTAL CURRENT LIABILITIES	9,342
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TOTAL LIABILITIES	<u>9,342</u>
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GENERAL FUND BALANCE	<u>202,809</u>
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TOTAL LIABILITIES AND GENERAL FUND BALANCE	<u>\$ 212,151</u>
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MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Current Property Tax	\$ 55,792	\$ 59,295	\$ 3,503
Delinquent Property Tax	281	308	27
Swamp Tax	4,163	4,163	-
Property Tax Administration Fees	7,170	7,625	455
State Shared Revenue	30,768	45,958	15,190
Cemetery	850	1,250	400
Franchise Fees	933	933	-
Interest Earnings	3,225	3,699	474
Proceeds from Bonds	296,354	300,000	3,646
Other	<u>5,325</u>	<u>5,326</u>	<u>1</u>
TOTAL REVENUE	404,861	428,557	23,696
EXPENDITURES:			
GENERAL GOVERNMENT			
Legislative:			
Township Board			
Salaries	1,555	1,615	(60)
Supplies	4,044	4,307	(263)
Telephone	1,204	1,204	-
Membership and Dues	523	523	-
Professional Services	119	119	-
Capital Outlay	1,942	1,942	-
Repairs and Maintenance	236	236	-
Utilities	1,330	1,273	57
Other Expenses	<u>531</u>	<u>531</u>	<u>-</u>
Total Legislative	11,484	11,750	(266)

The accompanying notes are an integral part of these financial statements.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES: (continued)			
Executive:			
Supervisor			
Salary	\$ 4,500	\$ 4,500	\$ -
Total Executive	4,500	4,500	-
Treasurer			
Salary	5,000	5,000	-
Salary - Asst. Treasurer	160	160	-
Summer Tax Fees	2,137	2,137	-
Supplies	326	326	-
Property Tax Admin. Fees	<u>478</u>	<u>478</u>	<u>-</u>
Total Treasurer	8,101	8,101	-
Assessor			
Contracted Services	13,500	13,500	-
Land Division	<u>218</u>	<u>218</u>	<u>-</u>
Total Assessor	13,718	13,718	-
Clerk			
Salary	6,000	6,000	-
Supplies	261	261	-
Travel	<u>405</u>	<u>405</u>	<u>-</u>
Total Clerk	6,666	6,666	-
Elections			
Salaries	600	600	-
Printing and Publishing	<u>138</u>	<u>138</u>	<u>-</u>
Total Elections	738	738	-

The accompanying notes are an integral part of these financial statements.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES: (continued)			
Board of Review			
Salaries	\$ 669	\$ 669	\$ -
Total Board of Review	669	669	-
Cemetery			
Improvements	125	125	-
Repairs and Maintenance	119	119	-
Utilities	97	97	-
Contracted Services	<u>1,272</u>	<u>1,272</u>	<u>-</u>
Total Cemetery	1,613	1,613	-
Total General Government	47,489	47,755	(266)
PUBLIC SAFETY			
Fire Department			
Contracted Services	<u>11,769</u>	<u>11,769</u>	<u>-</u>
Total Public Safety	11,769	11,769	-
PUBLIC WORKS			
Highways and Streets			
Street Lights	3,652	3,652	-
Contracted Services	<u>2,695</u>	<u>2,695</u>	<u>-</u>
Total Public Works	6,347	6,347	-
PARKS AND RECREATION			
Salary	725	725	-
Utilities	<u>330</u>	<u>330</u>	<u>-</u>
Total Parks and Recreation	1,055	1,055	-

The accompanying notes are an integral part of these financial statements.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXPENDITURES: (continued)			
Other Functions:			
Insurance and Bonds	\$ 2,801	\$ 2,801	\$ -
Capital Outlay	361,443	367,843	(6,400)
Interest Expense	-	11,503	(11,503)
Payroll Taxes	<u>1,479</u>	<u>1,479</u>	<u>-</u>
Total Other	365,723	383,626	(17,903)
TOTAL EXPENDITURES	<u>432,383</u>	<u>450,552</u>	<u>(18,169)</u>
EXCESS OF REVENUES OVER (UNDER)			
EXPENDITURES	<u>(27,522)</u>	<u>(21,995)</u>	<u>5,527</u>
OTHER FINANCING SOURCES:			
Transfers In	34,000	65,976	31,976
Transfers Out	<u>(34,000)</u>	<u>(7,805)</u>	<u>26,195</u>
Net Transfers	<u>-</u>	<u>58,171</u>	<u>58,171</u>
EXCESS OF REVENUE OVER (UNDER)			
EXPENDITURES AFTER TRANSFERS	<u>\$ (27,522)</u>	36,176	<u>\$ 63,698</u>
FUND BALANCE APRIL 1, 2007		<u>166,633</u>	
FUND BALANCE MARCH 31, 2008		<u>\$ 202,809</u>	

The accompanying notes are an integral part of these financial statements.

NON-MAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENTS

LIQUOR LAW ENFORCEMENT

ROAD FUND

TOWNSHIP IMPROVEMENTS

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
FOR YEAR ENDING MARCH 31, 2008

		Liquor Law Enforcement <u>Fund</u>	Road <u>Fund</u>	Township Improvement <u>Fund</u>	<u>Total</u>
ASSETS:					
	Cash	\$ <u>1,834</u>	\$ <u>75,171</u>	\$ <u>22,636</u>	\$ <u>99,641</u>
TOTAL ASSETS		\$ <u><u>1,834</u></u>	\$ <u><u>75,171</u></u>	\$ <u><u>22,636</u></u>	\$ <u><u>99,641</u></u>
LIABILITIES AND FUND BALANCE					
TOTAL LIABILITIES		\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
FUND BALANCE		<u>1,834</u>	<u>75,171</u>	<u>22,636</u>	<u>99,641</u>
TOTAL LIABILITIES AND FUND BALANCE		\$ <u><u>1,834</u></u>	\$ <u><u>75,171</u></u>	\$ <u><u>22,636</u></u>	\$ <u><u>99,641</u></u>

The accompanying notes are an integral
part of these financial statements.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDING MARCH 31, 2008

	Liquor Law Enforcement <u>Fund</u>	Road Fund <u>Fund</u>	Township Improvement <u>Fund</u>	<u>Total</u>
REVENUE:				
State Shared Revenue	\$ 791	\$ -	\$ -	\$ 791
Interest Earnings	<u>-</u>	<u>1,675</u>	<u>982</u>	<u>2,657</u>
				-
Total Revenue	791	1,675	982	3,448
EXPENDITURES:				
Public Safety:				
Salaries	<u>799</u>	<u>-</u>	<u>-</u>	<u>799</u>
				-
Total Expenditures	<u>799</u>	<u>-</u>	<u>-</u>	<u>799</u>
				-
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES:	(8)	1,675	982	2,649
OTHER FINANCING SOURCES:				
Transfers In From Other Funds	-	7,805	-	7,805
Transfers Out to Other Funds	<u>-</u>	<u>-</u>	<u>(65,976)</u>	<u>(65,976)</u>
Net Transfers	-	7,805	(65,976)	(58,171)
EXCESS OF REVENUE OVER (UNDER)				
EXPENDITURES AFTER TRANSFERS:	(8)	9,480	(64,994)	(55,522)
FUND BALANCE - BEGINNING	<u>1,842</u>	<u>65,691</u>	<u>87,630</u>	<u>155,163</u>
FUND BALANCE - ENDING	<u>\$ 1,834</u>	<u>\$ 75,171</u>	<u>\$ 22,636</u>	<u>\$ 99,641</u>

The accompanying notes are an integral
part of these financial statements.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
LIQUOR LAW ENFORCEMENT FUND
BALANCE SHEET
FOR YEAR ENDING MARCH 31, 2008

ASSETS

Cash	<u>\$ 1,834</u>
 TOTAL ASSETS	 <u>1,834</u>
 Liabilities	 <u>-</u>
 TOTAL LIABILITIES	 <u>-</u>
 FUND BALANCE	 <u>1,834</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 1,834</u></u>

MCKINLEY TOWNSHIP
 EMMET COUNTY, MICHIGAN
 LIQUOR LAW ENFORCEMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES
 FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:			
State Shared Revenue	\$ 1,191	\$ 791	\$ (400)
Total Revenue	1,191	791	(400)
EXPENDITURES:			
Law Enforcement	<u>-</u>	<u>799</u>	<u>(799)</u>
Total Expenditures	<u>-</u>	<u>799</u>	<u>(799)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ 1,191</u>	(8)	<u>\$ 399</u>
FUND BALANCE – APRIL 1, 2007		<u>1,842</u>	
FUND BALANCE – MARCH 31, 2008		<u>\$ 1,834</u>	

The accompanying notes are an integral
 part of these financial statements.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
ROAD FUND
BALANCE SHEET
FOR YEAR ENDING MARCH 31, 2008

ASSETS

Cash	<u>\$ 75,171</u>
 TOTAL ASSETS	 <u>75,171</u>
 Liabilities	 <u>-</u>
 TOTAL LIABILITIES	 <u>-</u>
 FUND BALANCE	 <u>75,171</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 75,171</u></u>

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
ROAD FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:			
Interest Income	\$ 1,650	\$ 1,675	\$ 25
Total Revenue	1,650	1,675	25
EXPENDITURES:			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	1,650	1,675	25
OTHER FINANCING SOURCES:			
Transfers In	<u>10,500</u>	<u>7,805</u>	<u>(2,695)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AFTER TRANSFERS	<u>\$ 12,150</u>	9,480	<u>\$ (2,670)</u>
FUND BALANCE – APRIL 1, 2007		<u>65,691</u>	
FUND BALANCE – MARCH 31, 2008		<u>\$ 75,171</u>	

The accompanying notes are an integral
part of these financial statements.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
TOWNSHIP IMPROVEMENT FUND
BALANCE SHEET
FOR YEAR ENDING MARCH 31, 2008

ASSETS

Cash	<u>\$ 22,636</u>
 TOTAL ASSETS	 <u>22,636</u>
 Liabilities	 <u>-</u>
 TOTAL LIABILITIES	 <u>-</u>
 FUND BALANCE	 <u>22,636</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 22,636</u></u>

The accompanying notes are an integral
part of these financial statements.

MCKINLEY TOWNSHIP
EMMET COUNTY, MICHIGAN
TOWNSHIP IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES
FOR THE YEAR ENDING MARCH 31, 2008

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUE:			
Interest Income	\$ 980	\$ 982	\$ 2
Total Revenue	980	982	2
EXPENDITURES:			
Total Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	980	982	2
OTHER FINANCING SOURCES:			
Transfers Out	<u>(23,500)</u>	<u>(65,976)</u>	<u>(42,476)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES AFTER TRANSFERS	<u>\$(22,520)</u>	(64,994)	<u>\$ (42,474)</u>
FUND BALANCE – APRIL 1, 2007		<u>87,630</u>	
FUND BALANCE – MARCH 31, 2008		<u>\$ 22,636</u>	

The accompanying notes are an integral
part of these financial statements.

OTHER

NIELAND & KOSANKE, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AMERICAN INSTITUTE OF CERTIFIED
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AND
MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

DANIEL R. NIELAND, C.P.A.
JOSEPH D. KOSANKE, C.P.A.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To The Supervisor and Township Board of Trustees
McKinley Township
Emmet County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of McKinley Township of Emmet County, Michigan, as of and for the year ended March 31, 2008, and have issued our report thereon dated July 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McKinley Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, which are described in a separate letter to management dated July 7, 2008.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered McKinley Township's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of material misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected

McKinley Township
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within a timely period by employees in the normal course of performing their assigned functions. We noted matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. The reportable condition is described as follows:

Due to staff size, there is limited segregation of duties over cash receipts/disbursements and the recording of these transactions. The Township recognizes this risk, but no change will be implemented because the costs would exceed the benefits.

This report is intended solely for the information and use of the Audit Committee, management and Township Board of Trustees and is not intended to be and should not be used by anyone other than these specified parties.

Nieland & Kosanke, P.C.
Certified Public Accountants

Cheboygan, Michigan 49721
July 28, 2008

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MEMBER

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PUBLIC ACCOUNTANTS

AND

MICHIGAN ASSOCIATION OF CERTIFIED
PUBLIC ACCOUNTANTS

McKinley Township
Township Board
Emmet County, Michigan

Re: Comments and Recommendations

We have examined the general purpose financial statements of McKinley Township, Emmet County, for the year ended March 31, 2008, and have issued our report thereon dated July 28, 2008.

Our examination was made in accordance with generally accepted auditing standards and the standards for financial and compliance audits contained in the U.S. General Accounting Office *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. Solely to assist in planning and performing our examination, we made a study and evaluation of the internal accounting controls of McKinley Township, Emmet County. That study and evaluation was limited to a preliminary review of the system to obtain an understanding of the control environment and the flow of transactions through the accounting system. Because we are not relying on the entity's internal accounting control procedures to restrict our substantive tests, our study and evaluation of the internal accounting controls did not extend beyond this preliminary review phase. Accordingly, we do not express an opinion on the system of internal accounting control taken as a whole. Also, our examination made in accordance with the standards mentioned above, would not necessarily disclose material weaknesses in the system of internal accounting control.

This report and accompanying recommendations are intended solely for the use of management and should not be used for any other purpose.

Uniform Budgeting and Accounting Act (P.A. 621)

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process.

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There were instances of unfavorable budget variances as shown in the supplemental data. The Board should review ongoing expenditures to budget and approve amendments as necessary. Generally, though the Board has approved payment, it may exceed the approved budget.

We found no other items during the examination worthy of note and would like to thank both the Clerk and Treasurer for their assistance during the audit. If there are any questions regarding this letter or the audited statement, please don't hesitate to contact us.

Nieland & Kosanke, P.C.
Certified Public Accountants

Cheboygan, Michigan 49721
July 28, 2008

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SUPPLEMENTAL MANAGEMENT COMMUNICATION

To the Supervisor and Township Board
McKinley Township
Emmet County, Michigan

We have audited the financial statements of McKinley Township for the year ended March 31, 2008, and have issued our report thereon dated July 28, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under General Accepted Auditing Standards

As we stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected.

As part of our audit, we considered the internal control structure of the Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for selection and use of appropriate accounting policies. In accordance with the terms of my engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies adopted by the Township are described in Note A of the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007/2008. We noted no transactions entered into by the Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Township's financial reporting process.

Disagreements With Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not, resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultation With Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the government unit's financial statements or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise me to determine the consultant has all the relevant facts. There were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditor. However, these discussions occurred in the normal course of my professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in the performance of our audit.

This information is intended solely for the use of the Township Board and management of McKinley Township and is not intended to be and should not be used by anyone other than these specified parties.

Nieland & Kosanke, P.C.
Certified Public Accountants